

To the Members of the California State Senate:

I am returning Senate Bill 485 without my signature.

This bill would shift to the state the fiscal responsibility of funding special education out-of-home care costs – currently estimated at \$7.7 million - from county excess Educational Revenue Augmentation Funds (ERAF), despite the significant amounts of local revenue accumulated by certain county treasuries. Special education out-of-home care costs for county residents have historically been funded with ERAF. Further, it is my understanding that the affected counties have over \$100 million in obligated ERAF available at this time. We can revisit this issue in the context of next year's budget. I encourage the interested parties to sit down with the Department of Finance to resolve this issue in a manner equitable to both the state and the county.

Sincerely,

Arnold Schwarzenegger